

AR10

APR 10 1974

ANNUAL REPORT



1973



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Directors

R. J. ANDERSON
J. S. DEACON
S. E. EDWARDS, Q.C.
A. GOLD
WM. W. LAIRD, Q.C.

Officers

A. GOLD,
PRESIDENT
WM. W. LAIRD, Q.C.,
EXECUTIVE VICE PRESIDENT
L. R. DOBBIN,
VICE PRESIDENT & GENERAL MANAGER
S. E. EDWARDS, Q.C.,
SECRETARY

Head Office and Plant

CAMBRIDGE, Ontario

Bankers

Royal Bank of Canada

Solicitors

Fraser & Beatty

Transfer Agents and Registrars

National Trust Company,
Toronto

Auditors

Thorne, Gunn & Co.
Chartered Accountants, Toronto

Annual Meeting

May 2, 1974 — 10:30 a.m.
Head Office, Cambridge, Ontario

Report of the directors

TO THE SHAREHOLDERS

On behalf of the Board of Directors, I submit the Annual Report for the year ended December 31, 1973 along with the Financial Statements and the Report of the Auditors.

FINANCIAL HIGHLIGHTS

	1973	1972	% CHANGE
Sales and Commission Revenue	\$5,302,000	\$4,774,000	11
Pounds Shipped	5,085,000	3,941,000	29
Profit (Loss) Before Extraordinary Item	287,000	(178,000)	—
Profit (Loss) After Extraordinary Item	417,000	(178,000)	—
Cash Flow	734,000	89,000	725
Long-Term Debt	425,000	651,000	(35)
Working Capital	422,000	342,000	23
Working Capital Ratio	1.42:1	1.42:1	—
Profit (Loss) Per Common Share Before Extraordinary Item	1.33	(1.40)	
Profit (Loss) Per Common Share After Extraordinary Item	2.10	(1.40)	

SALES AND COMMISSION REVENUE

Sales and commission revenue dollars were not up in relation to the increase in pounds shipped because of the larger portion of commission yarn processed in 1973. Nylon price increases accounted for a substantial part of the rise in revenue.

EARNINGS

Commission processing margins remained at a satisfactory level throughout the year whereas nylon margins returned to a profitable level only by mid-year. Operations were close to capacity throughout the year with the resulting improvement in efficiency being reflected in earnings.

BALANCE SHEET

The improvement in cash flow combined with the low level of inventories, improved turn-over in receivables and larger proportion of pounds shipped on a commission basis resulted in a cash surplus of \$300,000 being available at year end for short-term investment. Capital additions financed entirely from working capital totalled \$434,000. Despite the heavy capital expenditures, working capital increased by \$80,000 and the ratio remained constant.

OUTLOOK

The prospects for 1974 are favourable as demand for yarn companies' products is expected to continue to exceed supply.

EMPLOYEES

A new two-year contract was signed with the Textile Workers Union of America effective January 1, 1974.

We wish to thank all employees for their contribution in making this year a success.

A. GOLD,
President

AUDITORS' REPORT

TO THE SHAREHOLDERS OF RIVERSIDE YARNS LIMITED

We have examined the balance sheet of Riverside Yarns Limited as at December 31, 1973 and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cambridge, Ontario
February 5, 1974

THORNE, GUNN & CO.,
Chartered Accountants.

Riverside Yarns Limited

STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
Sales and commission revenue	\$5,302,418	\$4,774,234
Cost of goods sold	4,283,854	4,346,552
Gross profit	1,018,564	427,682
Selling and administrative expenses	408,122	505,413
Interest on long-term debt	87,678	106,168
Financing expenses amortized	2,992	2,940
	498,792	614,521
Profit on sale of fixed assets	519,772	(186,839)
	3,399	9,125
Earnings (loss) before income taxes and extraordinary item	523,171	(177,714)
Income Taxes		
Current	171,195	
Deferred	65,100	
	236,295	
Earnings (loss) before extraordinary item	286,876	(177,714)
Income tax reduction realized on carry forward of prior years' losses	130,447	
NET EARNINGS (LOSS) FOR THE YEAR	\$ 417,323	\$ (177,714)

EARNINGS (LOSS) PER COMMON SHARE (note 5)

	1973		1972
	Before extraordinary item	After extraordinary item	
Earnings (loss) per common share	\$1.33	\$2.10	\$(1.40)
Fully diluted earnings per common share	1.25	1.81	

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
Balance at beginning of year	\$ 203,958	\$ 381,672
Net earnings (loss) for the year	417,323	(177,714)
BALANCE AT END OF YEAR	\$ 621,281	\$ 203,958

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

SOURCE OF FUNDS	1973	1972
Operations		
Net earnings (loss) for the year	\$ 417,323	\$ (177,714)
Items not involving current funds		
Depreciation and amortization	255,461	275,488
Deferred income taxes	65,100	
Profit on sale of fixed assets	(3,399)	(9,125)
	734,485	88,649
Proceeds from sale of fixed assets	5,712	22,551
	740,197	111,200
 APPLICATION OF FUNDS		
Additions to fixed assets	433,853	15,466
Reduction of non-current portion of long-term debt	226,440	113,240
	660,293	128,706
INCREASE (DECREASE) IN WORKING CAPITAL	79,904	(17,506)
WORKING CAPITAL AT BEGINNING OF YEAR	342,121	359,627
WORKING CAPITAL AT END OF YEAR	<u>\$ 422,025</u>	<u>\$ 342,121</u>

Riverside Yarns Limited

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1973

(with comparative figures at December 31, 1972)

ASSETS

CURRENT ASSETS	1973	1972
Cash	\$ 24,822	
Bank deposit receipts	300,000	
Accounts receivable	603,913	\$ 692,612
Income taxes recoverable		1,757
Inventories (note 1)	399,240	389,547
Prepaid expenses	103,686	67,822
	<u>1,431,661</u>	<u>1,151,738</u>
 FIXED ASSETS (note 2)		
Land, buildings, machinery and equipment	2,866,097	2,478,261
Less accumulated depreciation	1,823,066	1,614,301
	<u>1,043,031</u>	<u>863,960</u>
 DEFERRED FINANCING EXPENSES, less amortization	3,845	6,837
	<u>\$2,478,537</u>	<u>\$2,022,535</u>

LIABILITIES

CURRENT LIABILITIES		
Bank advances		\$ 13,687
Accounts payable and accrued liabilities	\$ 675,831	534,151
Income and other taxes payable	107,365	41,669
Principal due within one year on long-term debt	226,440	220,110
	<u>1,009,636</u>	<u>809,617</u>
 LONG-TERM DEBT (note 3)	424,520	650,960
 DEFERRED INCOME TAXES	65,100	

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)		
Authorized		
120,000 Class A \$.50 cumulative convertible voting shares without par value		
290,000 Common shares without par value		
Issued		
120,000 Class A shares }	358,000	358,000
170,000 Common shares }		
RETAINED EARNINGS	621,281	203,958
	<u>979,281</u>	<u>561,958</u>
	<u>\$2,478,537</u>	<u>\$2,022,535</u>

Director: J. S. DEACON

Approved by the Board

Director: A. GOLD

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1973

1. INVENTORIES

	1973	1972
Raw materials	\$ 195,032	\$ 41,919
Work in process	74,549	71,401
Finished goods	129,659	276,227
	<u>\$ 399,240</u>	<u>\$ 389,547</u>

Raw materials are valued at lower of cost and replacement cost. Work in process and finished goods are valued at lower of cost and net realizable value.

2. FIXED ASSETS

	1973		1972	
	Asset value	Accumulated depreciation	Net	Net
Land	\$ 6,600		\$ 6,600	\$ 6,600
Buildings	391,960	\$ 275,019	116,941	118,224
Machinery and equipment	2,467,537	1,548,047	919,490	739,136
	<u>\$2,866,097</u>	<u>\$1,823,066</u>	<u>\$1,043,031</u>	<u>\$ 863,960</u>

Land and buildings are valued at replacement value as of April 20, 1928 with subsequent additions at cost. Machinery and equipment are valued at cost.

It is the company's policy to write off the cost of fixed assets over the estimated number of years in which the asset can economically contribute to earnings.

<u>Asset Class</u>	<u>Rate</u>	<u>Method</u>
Buildings	5%	declining balance
Machinery and equipment		
Additions prior to 1968	20%	declining balance
1968 and subsequent additions mainly	20%	straight line

Depreciation charges included in cost of goods sold are \$252,469 (\$272,548 in 1972).

3. LONG-TERM DEBT

	1973	1972
9.4% Mortgage loan, maturing August 23, 1975	\$ 134,000	\$ 214,400
12% Mortgage bond, maturing June 15, 1976	124,960	175,000
12% Mortgage loan, maturing January 23, 1978	392,000	481,670
	<u>650,960</u>	<u>871,070</u>
Less principal included in current liabilities	226,440	220,110
	<u>\$ 424,520</u>	<u>\$ 650,960</u>

Riverside Yarns Limited

3. LONG-TERM DEBT (Continued)

These debt instruments are secured by the company's fixed assets and in addition the 12% mortgage loan is secured by a floating charge on all assets and undertakings of the company.

Principal due within each of the next five years is as follows:

1974	\$226,440
1975	199,640
1976	120,880
1977	96,000
1978	8,000

4. CAPITAL STOCK

The Class A shares are convertible into common shares on the basis of one common share for each two Class A shares converted.

Dividends on Class A shares are paid to December 31, 1969 and arrears at December 31, 1973 amount to \$2.00 per share totalling \$240,000.

Conditions attaching to the mortgage loans place certain restrictions on the payment of dividends.

5. EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share have been calculated after providing for dividends for the year on Class A shares.

Fully diluted earnings per common share have been calculated on the assumption that all of the Class A convertible shares outstanding at December 31, 1972 had been converted into 60,000 additional common shares at the beginning of the year.

6. COMPARATIVE FIGURES

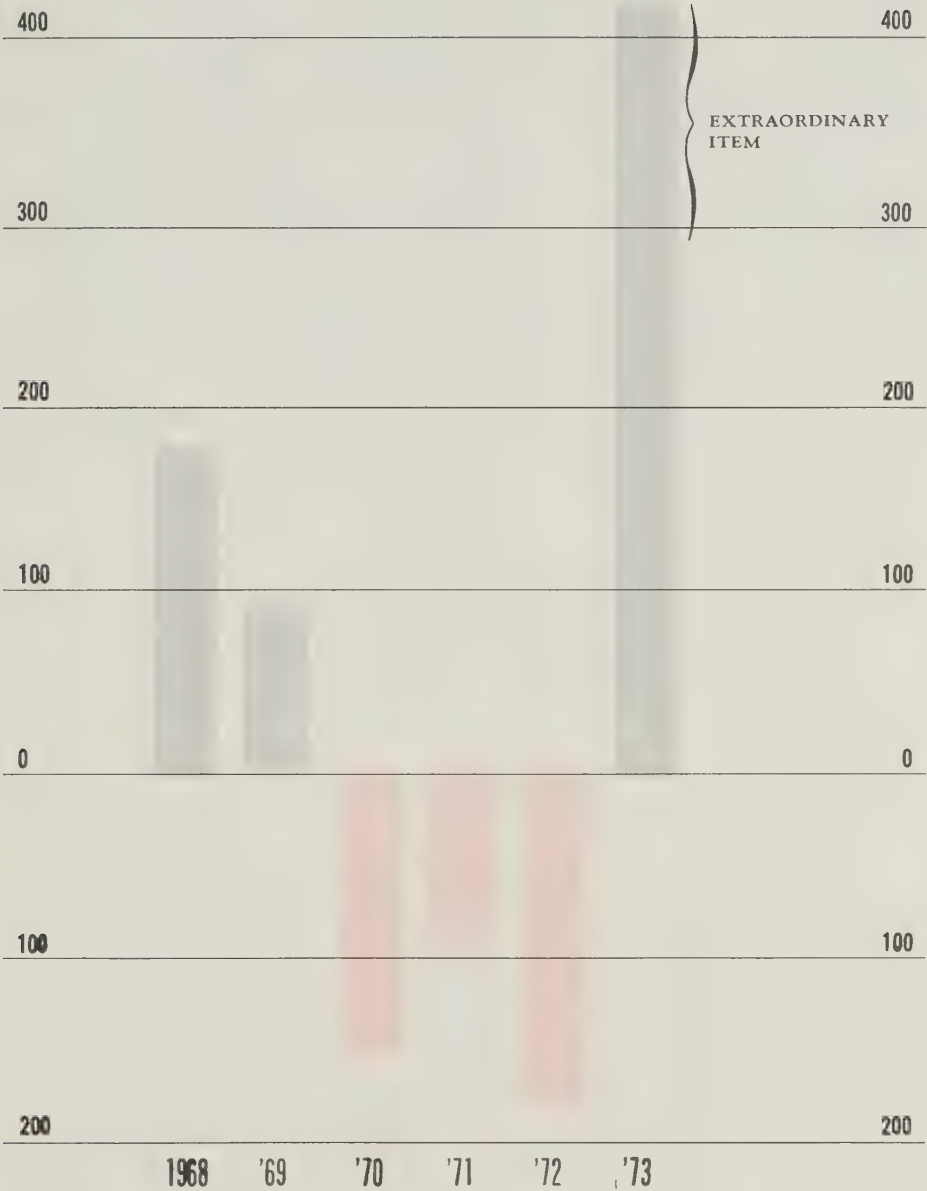
Certain figures for 1972 have been reclassified in order to present them in a form comparable with those for 1973.

7. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounts to: 1973, \$110,853; 1972, \$84,329.

PROFIT and LOSS

Thousands of dollars



Riverside Yarns Limited

SALES

BAR - SALES AND COMMISSION REVENUE IN MILLIONS OF DOLLARS
LINE - SHIPMENTS IN MILLIONS OF POUNDS



Six Year
Financial Summary
See Overleaf

SIX YEAR FINANCIAL SUMMARY

INCOME AND EXPENSE

	1973	1972	1971	1970	1969	1968
Sales and commission revenue	\$5,302,418	\$4,774,234	\$4,448,320	\$4,719,889	\$4,797,135	\$4,745,554
Cost of goods sold excluding depreciation	4,031,385	4,075,656	3,845,751	4,184,664	4,070,176	3,982,072
Gross Profit excluding depreciation	1,271,033	698,578	602,569	535,225	726,959	763,482
Selling and administrative expenses	407,122	502,661	403,692	448,218	327,538	286,648
Directors' fees	1,000	1,100	1,200	1,300	2,600	1,300
Interest on long-term debt	87,878	106,168	88,758	72,653	46,425	23,483
Financing expenses amortized	2,992	2,940	3,767	4,066	1,665	1,636
	498,792	612,869	497,417	526,237	378,228	313,067
Earnings before undemoted items	772,241	85,709	105,152	8,988	348,731	450,415
Profit (loss) on sale of fixed assets	3,399	9,125	3,729	(32,887)	10,845	2,399
	775,640	94,834	108,881	(23,899)	359,576	452,814
Depreciation	252,469	272,548	231,983	262,234	183,577	123,146
Earnings (loss) before income taxes	523,171	(177,714)	(123,102)	(286,133)	175,999	329,668
Income taxes						
Current (net of extraordinary item in 1973)	40,748	—	—	(38,959)	38,959	71,329
Deferred	65,100	—	(33,421)	(91,764)	44,436	85,861
	105,848	—	(33,421)	(130,723)	83,395	157,190
Net earnings (loss) for year	\$ 417,323	\$ (177,714)	\$ (89,681)	\$ (155,410)	\$ 92,604	\$172,478

FINANCIAL AND OTHER INFORMATION

	1973	1972	1971	1970	1969	1968
Working capital	422,025	342,121	359,627	478,878	414,273	621,510
Working capital ratio	1.42:1	1.42:1	1.29:1	1.42:1	1.35:1	1.68:1
Long-term debt	424,520	650,960	764,200	514,600	655,000	494,900
Shareholders' equity	979,281	561,958	739,672	829,353	992,056	966,066
Number of shares outstanding — Class A	120,000	120,000	120,000	120,000	120,000	120,000
Common	170,000	170,000	170,000	170,000	170,000	170,000
Equity per share						
— Class A	4.55	2.82	3.14	3.15	3.42	3.33
— Common	2.55	1.32	2.14	2.65	3.42	3.33
Net earnings (loss) per share	2.10	(1.40)	(.88)	(1.27)	.19	1.01
Dividends paid per share						
— Class A	—	—	—	—	.50	—
— Common	—	—	—	—	—	—
Dividend arrears per share	2.00	1.50	1.00	.50	—	—
Cash flow from operations	734,485	88,649	108,919	52,013	322,282	383,121
% of cash flow to shareholders' equity	75.0%	15.8%	14.7%	6.3%	32.4%	39.7%
Purchase of fixed assets	433,853	15,466	476,804	18,861	632,762	544,379
Fixed assets (net)	1,043,031	863,960	1,134,468	890,343	1,345,899	915,362

NOTE: Number of shares outstanding and per share items have been restated for years prior to 1970 to reflect the 1970 capital reorganization.

MEMORANDA



Y ARNS L I M I T E D

**NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of RIVERSIDE YARNS LIMITED (hereinafter called the "Corporation") will be held at the head office of the Corporation, 15 Melville Street South, Cambridge, Ontario, on Thursday, the 2nd day of May, 1974 at the hour of 10:30 o'clock in the forenoon (Eastern Daylight Saving Time) for the following purposes:

1. to receive the financial statements of the Corporation for the year ended December 31, 1973 together with the reports of the President and auditors thereon;
2. to elect directors;
3. to appoint auditors;
4. to transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Cambridge this 8th day of April, 1974.

By order of the Board,
S. E. EDWARDS,
Secretary.

NOTE: If you are unable to be present personally at the meeting and are the holder of common shares without par value or Class A shares without par value of the Corporation, please complete, sign and return the enclosed form of proxy in the envelope provided for that purpose.

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies by or on behalf of the management of RIVERSIDE YARNS LIMITED (hereinafter called the "Corporation") for use at the annual meeting of the shareholders of the Corporation (hereinafter called the "meeting") to be held at the head office of the Corporation, 15 Melville Street South, Cambridge, Ontario on Thursday, the 2nd day of May, 1974 at the hour of 10:30 o'clock in the forenoon (Eastern Daylight Saving Time) and at any adjournment or adjournments thereof for the purposes set forth in the accompanying notice of meeting. Solicitation of proxies will be primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The holders of common shares without par value (hereinafter called "common shares") and the holders of Class A shares without par value (hereinafter called "Class A shares") of the Corporation will be entitled to vote at the meeting. Each holder of common shares and each holder of Class A shares of the Corporation, of record at the close of business on April 30, 1974 is entitled to one vote for each such share held. As at the date hereof there are 170,000 common shares and 120,000 Class A shares of the Corporation outstanding.

ELECTION OF DIRECTORS AND INFORMATION CONCERNING NOMINEES

The following persons are proposed to be nominated for election as directors at the meeting to hold office until the next annual meeting.

Name and present principal occupation	Other positions and offices with the Corporation	Year first became a Director	Approximate number of shares of the Corporation beneficially owned, directly or indirectly	
			Common Shares	Class A Shares
John S. Deacon, Chairman of the Board, F. H. Deacon & Company Limited, (Investment dealers and stock brokers).	—	1955	1,159	292
Abe Gold, President, Walker Stores Limited, (Retailer of family clothing).	President	1967	12,002	—
William W. Laird, Q.C. Solicitor.	Executive Vice-President	1967	8,100	—
Robert J. Anderson, Professional engineer, consultant.	—	1962	2,300	2,800
Stanley E. Edwards, Q.C., Solicitor, Fraser & Beatty, (Barristers and solicitors).	Secretary	1961	405	300

All nominees as directors have continuously served as directors of the Corporation from the years indicated, and were elected to their present terms of office by a vote of shareholders at the annual and general meeting of shareholders held on June 7, 1973, the notice of which was accompanied by an information circular.

IT IS INTENDED THAT THE PROXIES HEREBY SOLICITED WILL BE VOTED AT THE MEETING FOR THE ELECTION OF EACH OF THE FOREGOING PERSONS AS DIRECTORS. In the event that prior to the meeting any of the said persons should become unable or unwilling to serve as a director, it is the intention of the persons named in the enclosed form of proxy to vote for the election of such other person as a director as they in their discretion determine.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid by the Corporation to the directors and senior officers of the Corporation during 1973 was \$110,853.

MANAGEMENT CONTRACT

By an agreement with Mr. Abe Gold and Montor Management Limited, dated June 15, 1967, Montor Management Limited was engaged to provide the management services of Mr. Abe Gold until May 31, 1970. On June 25, 1970 the directors of the Corporation authorized the renewal of the said agreement for a period of three years ending May 31, 1973. On June 7, 1973 the directors of the Corporation authorized the renewal of said agreement for a further period of three years ending May 31, 1976 on the same terms and conditions with remuneration payable to Montor Management Limited at the rate of \$25,000 per annum.

The total amount paid to Montor Management Limited from January 1, 1973 to the date hereof pursuant to said agreement was \$27,499.48 in fees and \$1,500.00 in expenses.

Montor Management Limited, 5757 Decelles Avenue, Montreal, Quebec is an Ontario company incorporated to provide management services and is controlled by Mr. Abe Gold, 5500 MacDonald Street, Montreal, Quebec, the President and a Director of the Corporation.

APPOINTMENT OF AUDITORS

It is intended to vote the shares represented by the proxies hereby solicited to re-appoint the firm of Thorne, Gunn & Co. as auditors of the Corporation to hold office until the next annual meeting of shareholders.

APPOINTMENT AND REVOCATION OF PROXIES

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON OTHER THAN THE PERSONS DESIGNATED IN THE ENCLOSED FORM OF PROXY TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING. To exercise this right the shareholder should either (i) insert the name of the desired person in the blank space provided in the form of proxy AND STRIKE OUT THE OTHER NAMES, or (ii) submit another appropriate proxy and, in either case, send the proxy to the Secretary of the Corporation prior to the meeting or deliver it to the Chairman of the meeting at the meeting. A person so appointed need not be a shareholder of the Corporation. To be valid a proxy should be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

A proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited either at the head office of the Corporation at any time up to and including the last day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used or with the Chairman of the meeting on the day of the meeting or any adjournment thereof and upon either of such deposits the proxy is revoked.

VOTING OF PROXIES

The shares represented by the proxies hereby solicited will be voted. It is not intended to use the proxies which are hereby solicited for the purpose of voting upon the financial statements of the Corporation for the year ended December 31, 1973 or the reports of the President and the auditors thereon.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying notice of meeting and with respect to other matters which may properly come before the meeting. As of the date of this circular the management knows of no such amendments, variations or other matters to come before the meeting. HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING THE SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.

Dated April 8, 1974.

